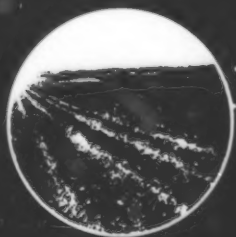
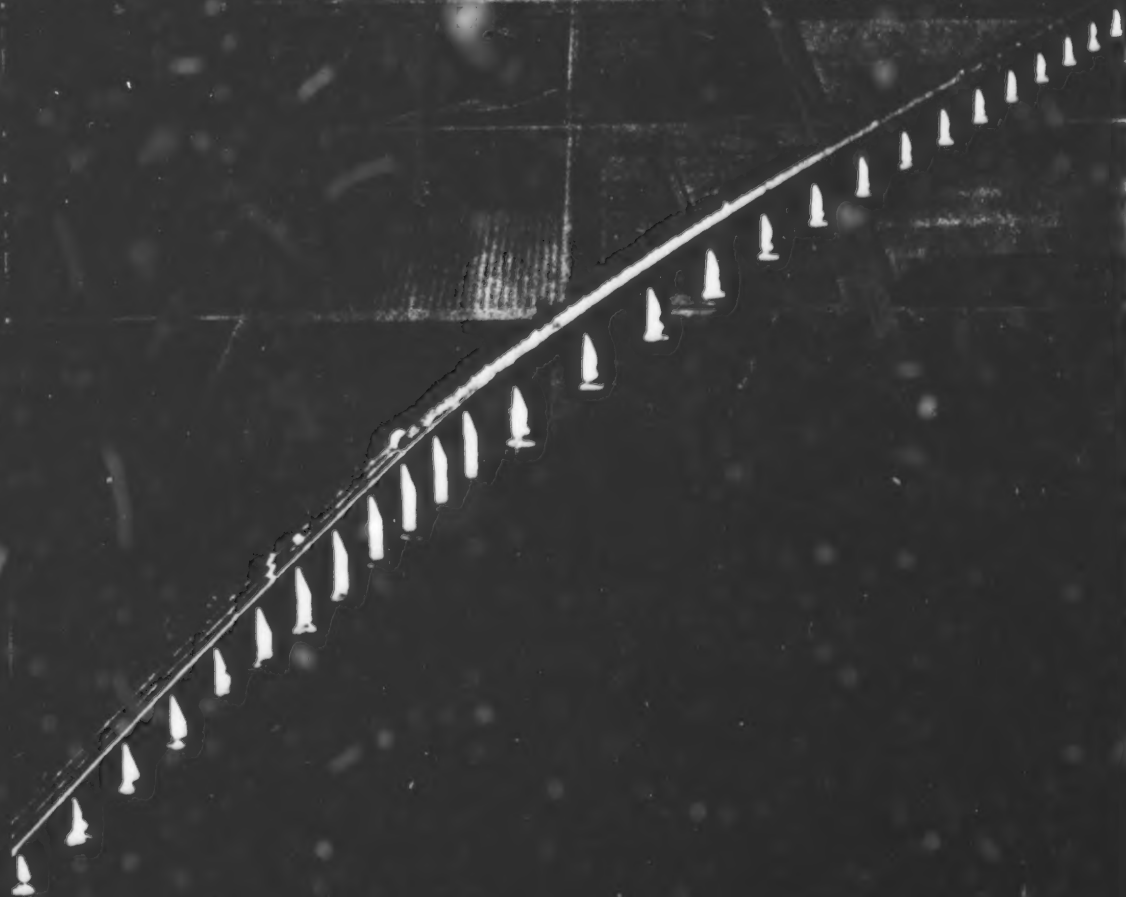


# **B**RIDGING TRADITION AND TECHNOLOGY



An Economic  
Development Strategy  
for Prince Edward Island

**BRIDGING  
TRADITION AND  
TECHNOLOGY**



**An Economic Development Strategy  
for Prince Edward Island**

I am pleased to present *Bridging Tradition and Technology*, an Economic Development Strategy for the Province of Prince Edward Island. This document spans all departments and crosses sectors to develop a comprehensive approach to economic development. It is a living document. Some initiatives are underway, others will be undertaken. Yet others will be modified and will evolve to reflect the changes in our Island society.

## PREMIER STATEMENT

Our economy is growing, and new opportunities are being realized. I am pleased with our progress and excited about our future.

This report sets the framework for government support of economic development for the next five years. We have articulated a vision, identified partnerships, set priorities and developed strategies which will guide our future action. All of this is designed with this thought: we must bridge our traditional industries with the potential created by the new economy. Enhancing knowledge and skill, entrenching quality, improving economic opportunities, adding diversity and generating wealth, are not only desirable, but achievable. At the same time, we will maintain communities and a working rural landscape. We are presenting an ambitious but balanced approach.



Pat Binns  
Premier of Prince Edward Island

*T*he province of Prince Edward Island is uniquely placed to draw on its traditional strengths and to take advantage of the opportunities offered by the future.

As Islanders, we have always relied on what we could cultivate from the land and from the sea. As Minister of Development, I believe it is the role of government to create the conditions where good ideas can thrive and grow.

## **MINISTER'S STATEMENT**

The conditions should include healthy people, a sustainable environment, strong communities, and a business climate that encourages hard work and innovation. Together, we can draw on our shared resources to create those conditions and help our whole Island community to flourish.

This report represents a vision of how this can be achieved.



**Don MacKinnon**  
Minister of Development



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Islanders have much to look forward to in the years ahead. The Island economy faces new challenges and new possibilities. Changing world economic conditions will bring advantages and disadvantages. There will be many exciting opportunities for Island businesses both large and small. Industries will develop to address new consumer and business demands. Opportunities not before imagined may be within reach. Many choices

## RODUCTION

will need to be made by everyone. This Paper is Government's vision of how the Province can best prepare to make the right choices.

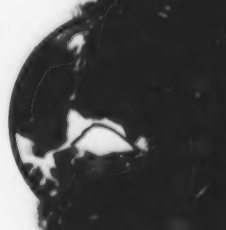
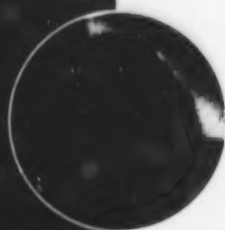
Governments constantly face the challenge to identify priorities. In today's rapidly changing economies, the options and opportunities may be numerous, but often are unfamiliar and not easily identified. Consequently, selecting correct options and opportunities can be even more difficult than before. Not all industries and projects have the same attractions for Prince Edward Island. Therefore, we must begin with some sense of where we want to go.

It is the expectation and wish of Government that economic growth build on the strength of the Island's resources and on its communities. The primary sectors have been the economic base for many rural communities and will remain the dominant economic activity in the Province. Within these industries, entrepreneurs have developed businesses that create jobs and wealth. These projects, large and small, will remain a priority of Government.

Any review of the past few decades indicates that changing economic conditions and rapid technological change offer some new opportunities. With this in mind, we have identified six economic sectors that offer good opportunities because they build on existing strengths, have room for growth and, are suitable to the Island's circumstances.

Clearly the food industry, and especially the manufacturing and processing sector, leads the list, followed by diversified manufacturing of the kind that has already been successful here. Some of the cultural industries, such as film production, the performing arts, and craft industries have become an important part of the Island's cultural and economic fabric, and represent a third priority sector with potential for growth. Because it has made such a sound start, the aerospace industry has great potential and deserves attention. The information technology industry offers Islanders great opportunities and must remain a top priority for support. Finally, life sciences offer significant development opportunities stemming from research and development.

Governments are generally limited to creating the right climate for entrepreneurs, producers, workers, and others who work in the economy. We understand that economic activity can only be generated and maintained by businesses. It is within this framework that we are articulating our vision for the Province, the challenges to be overcome, and the broad strategies necessary to achieve it.





**L**es Insulaires ont de quoi se réjouir à la perspective des prochaines années. L'économie de l'Île relève de nouveaux défis et saisit de nouvelles occasions. Les changements que subit la conjoncture économique mondiale entraîneront tant des avantages que des désavantages, mais de nombreuses occasions intéressantes se présenteront pour les entreprises de l'Île, petites et grandes. Les industries devront s'adapter aux demandes de nouveaux consommateurs et de nouvelles entreprises. Les occasions qui semblaient inatteignables sont maintenant à portée de la main. Tout le monde devra faire des choix et voici comment le gouvernement pense préparer la province à prendre les bonnes décisions.

Les gouvernements doivent constamment établir des priorités. Les changements rapides d'aujourd'hui présentent de nombreuses possibilités et occasions, mais celles-ci sont souvent en terrain inconnu et difficiles à repérer. Par conséquent, faire les bons choix peut s'avérer plus ardu qu'auparavant. Toutefois, les divers projets ne présentent pas tous les mêmes avantages pour l'Île-du-Prince-Édouard; il faut donc commencer par établir des objectifs.

Le gouvernement souhaite et s'attend à ce que la croissance industrielle dans la province s'appuie sur les ressources et les collectivités de l'Île. Les industries du secteur primaire forment le tissu économique de nombreuses collectivités rurales de l'Île et continueront à jouer un rôle primordial dans l'économie de la province. Au sein de ces industries, **des entrepreneurs ont mis sur pied des entreprises** emplois sont créés. De tels

projets, peu importe leur ampleur, resteront en tête des priorités du gouvernement.

Toutes les études effectuées au cours des dernières décennies indiquent que les changements dans la conjoncture économique associés aux avancées technologiques nous offrent de nouvelles occasions d'affaires. Ceci dit, nous avons relevé six secteurs économiques qui peuvent présenter de bonnes occasions d'affaires parce qu'ils s'appuient sur des acquis et peuvent prendre de l'expansion. De plus, s'il s'agit d'un nouveau domaine, il est adapté à la conjoncture de l'Île.

## INTRODUCT

Le secteur en tête de liste est évidemment l'industrie alimentaire, particulièrement le secteur de la transformation des aliments, ainsi que divers secteurs de transformation du genre qui ont déjà connu du succès à l'I.-P.-É. Viennent ensuite certaines industries dans le domaine culturel telles la production cinématographique, les arts de la scène et l'artisanat. Ces dernières prennent maintenant une place importante dans le tissu économique et culturel de l'Île et se retrouvent au troisième rang en importance par rapport à la possibilité de croissance. Par ailleurs, en raison de ses débuts prometteurs, l'industrie aérospatiale mérite qu'on lui accorde de l'attention. De son côté, l'industrie des technologies de l'information présente de grandes occasions aux Insulaires et elle doit demeurer en tête de liste pour obtenir notre appui. Enfin, les sciences de la vie offrent d'importantes possibilités dans les domaines de la recherche et du développement.

Les gouvernements se limitent généralement à créer un climat propice aux entrepreneurs, aux producteurs, aux travailleurs et aux autres acteurs de la scène économique. Nous comprenons que seules les entreprises peuvent générer et entretenir l'activité économique et c'est dans cet esprit que nous définissons la vision de la province, de même que nous déterminons les défis à relever et les stratégies nécessaires pour atteindre nos objectifs.

Pour de plus amples renseignements,  
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The land and the sea have always been the engines of the Island's economy. Before European settlement, the native people of the region visited Prince Edward Island for the rich bounty of its land and waters. During the French Regime, early colonizing efforts were predicated at least partly on the expectation of exporting food. The settlement at Brudenell Point, founded by Jean-Pierre de Roma in 1731, not only

economic expansion returned in a significant way to Prince Edward Island. By then governments were ready and willing to assist farmers, fishermen and entrepreneurs in efforts to promote economic growth and prosperity.

Started in an aggressive way in the 1950s and continued by every government since, public support in one manner or another has provided much in the way of the physical, administrative, and financial infrastructure needed to spur economic growth. In the beginning, local transportation was improved by

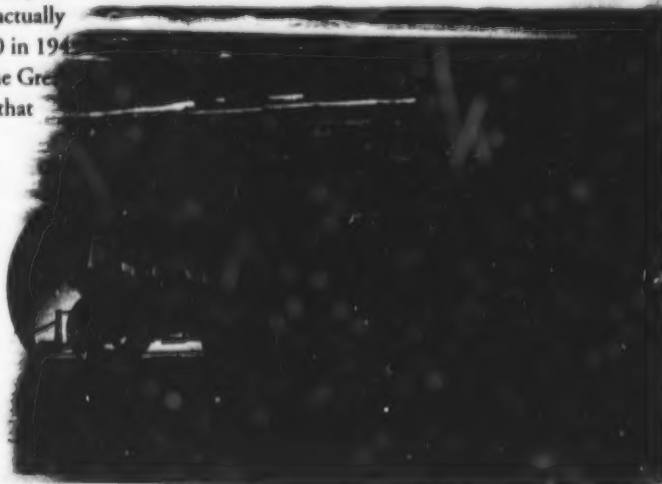
## GROWTH AND CHANGE 1950 - 2000

exported food to the settlement at Fort Louisbourg on Cape Breton Island, but annually sent sailing ships loaded with exports to New France and to the West Indies. Later, English, Irish, and Scottish immigrants were attracted by the promise of a better future on the fertile soil of the Colony, and soon a flourishing society was supported by an economy based on the exports of products from the land and the sea.

For a time, growth and expansion were driven by a growing population and the golden age of ship-building. However, by the end of the 19<sup>th</sup> century, the demise of the wooden sailing ship dealt the Island economy a blow from which, it might be said, it has not recovered. About the same time, the redirection of trade toward Central Canada and the de-industrialization of the Maritimes brought an end to population growth and economic expansion. It hardly matters now that the national policies of the new Canadian Federation contributed to this economic decline. For fifty years economic growth was slow and difficult, as the population actually declined from 103,000 in 1903 to 91,000 in 1941. It was not until after the experiences of the Great Depression and the end of World War II that

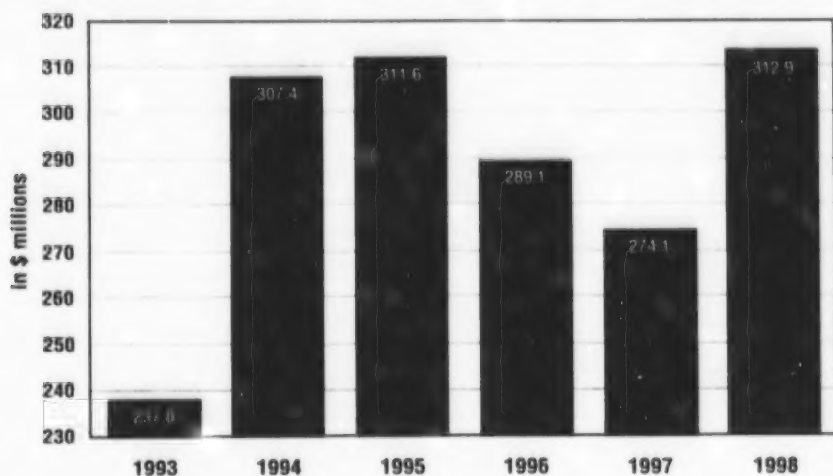
upgrading roads and bridges. Later, industrial mills were built, and support programs were developed to provide financial assistance to new and existing businesses. Educational facilities were overhauled to revamp vocational and industrial training programs. Legislation was updated to smooth labour-management relations. Government services were increased by the addition of professional staff to advise government and to assist new and existing businesses. All of this was financed by a variety of Federal-Provincial cost-shared programs.

The results have been impressive. The primary industries have continually increased in volume and value, and that growth has continued at an accelerating pace. In 1993 gross farm receipts totalled \$238.8 million, and by 1998 had increased to just over \$308.3 million. Potato receipts, depending on world prices, accounted for about 50 % of farm receipts.<sup>1</sup> For the same years, fish landings increased from \$73.9 million to \$120.6 million, with lobster accounting for approximately 75 % of the total.<sup>2</sup>

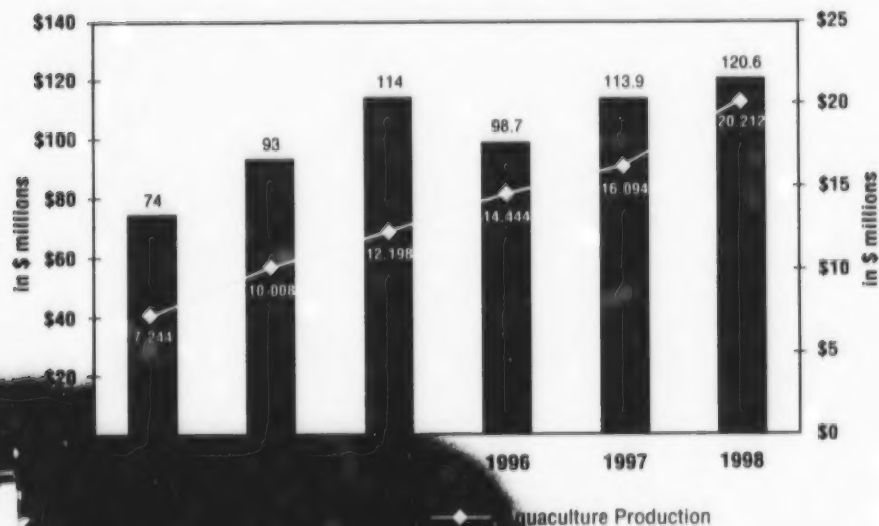




# **FARM CASH RECEIPTS PRINCE EDWARD ISLAND** 1993-1998



## **VALUE OF FISH LANDINGS AND AQUACULTURE** PEI: 1993-1998



Great advances have also been made in the manufacturing sector. Here again, the primary industries led the way. In 1984, total manufacturing (value added) activity in the Province amounted to \$98.6 million. It had more than doubled to \$204.2 million ten years later, and by 1996 had increased to \$259.7 million.<sup>3</sup> During this period, the food industries accounted for about 60% of the manufacturing activity.

These are large numbers in a small economy, and become even more important when viewed with Island export values. In 1993, total international exports were valued at \$208.8 million, and by 1998 had more than doubled to a value of \$522.7 million. Of the 1998 total, agricultural and fishing products alone totalled \$411.1 million, or approximately 78 % of the total exports for that year.<sup>4</sup>

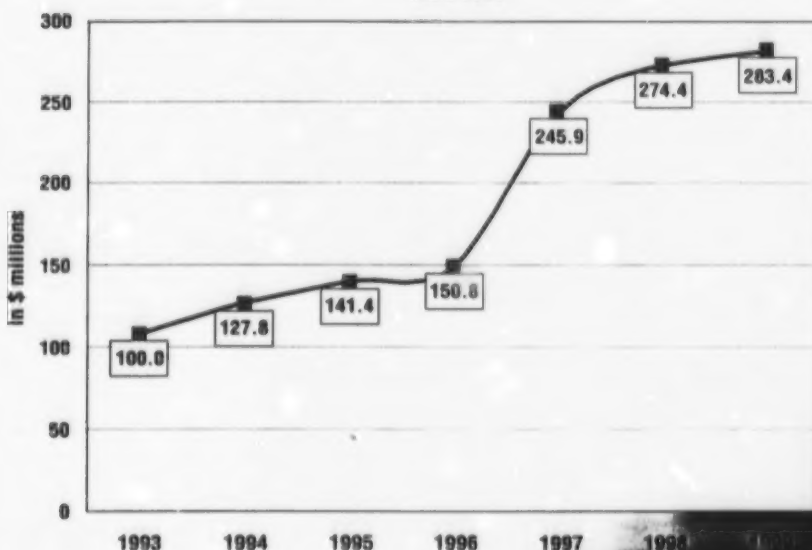
The same dominance of the traditional industries is shown by the value of total manufacturing shipments (shipments to Canadian, as well as

international markets). In 1993, total manufacturing shipments from the Province were \$481.8 million. Of this total, food industry shipments totalled \$368 million, or 76.3 %. In 1998, food products still dominated out-of-province shipments and represented 67.7% of the total.<sup>5</sup>

In recent years tourism has become a major economic activity. The number of visitors reached one million for the first time in 1997 and may continue at this level or climb even higher in the future. The industry has responded with investment in accommodations and attractions. Since 1985, the number of major accommodation facilities has increased steadily and their receipts have grown from \$35.3 million in 1986 to \$58.4 million in 1997.<sup>6</sup> Investment in tourist accommodations, golf courses and other attractions has contributed significantly to the tourism industry. Total spending by pleasure tourists increased from \$110 million in 1993 to \$283.4 million in 1999.<sup>7</sup>

### P.E.I. TOURIST EXPENDITURES

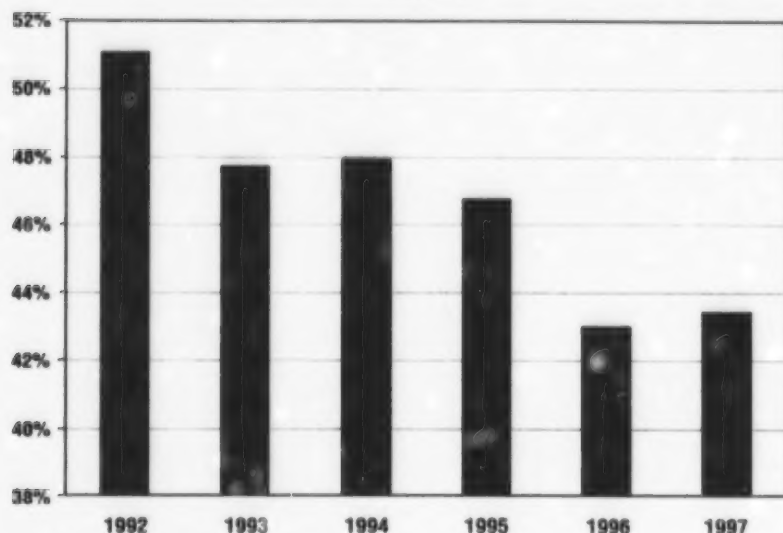
1993-1999



Together, the growth in these sectors has contributed to our self-reliance. Federal expenditures as a percentage of GDP have decreased over the last decade due to strong growth in the private sector coupled with restricted expenditures by the Federal Government.

### FEDERAL EXPENDITURES: P.E.I.

% of GDP



Even a brief review indicates that much has been accomplished over the past number of decades. Governments, cooperating with the business and labour communities, have built successfully on the Province's natural strengths. This cooperation must continue. Future planning will need to take into account changing circumstances and conditions if the Province is to take full advantage of new opportunities.

North American Free Trade and globalization are changing the marketplace for both producers and consumers. Increased competition worldwide is affecting everyone. Environmental concerns and consumer preferences are affecting agricultural practice and land use. Within the Province, agricultural production in traditional crops may be reaching a peak, as extreme pressure is being placed on the soil base. These developments are influencing the course of economic development and the choices consumers make.

The most profound change of all, for Prince Edward Island as for others, may be the arrival of the information technology era and the emergence of the knowledge-based economy. While we have always had knowledge and used it to the best of our ability, access to that knowledge has changed and the economy has responded. This transition to a knowledge-based economy has been a global one in which knowledge has become a commodity. While much of this centres around the computer, the knowledge economy has emerged as a result of the cumulation of an increased store of knowledge, improved communications, ready access to information, and top of the line technology. Its growth has been compounded by the ability to process and convert

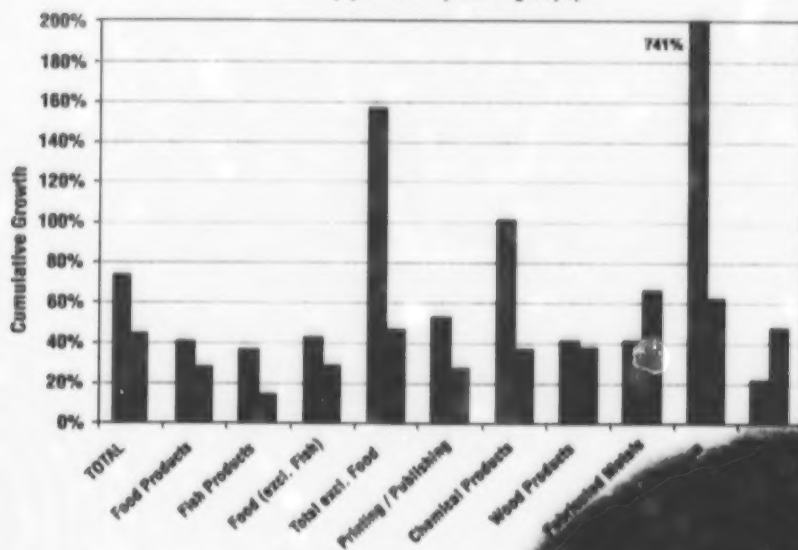
information quickly, easily, and relatively inexpensively. In itself, it is intangible. It is the "how" of the business and service sectors, versus the "what." It is not dependent on geography or natural resources. Therefore, while the Island is not alone in this transformation, nor in the opportunities it presents, for the Province it helps to eliminate some of what have traditionally been barriers to development.

The knowledge-based economy will provide new opportunities. Innovative applications of new technology will generate new ideas, techniques, products and services. To take advantage of the opportunities, the Province must be ready. The necessary infrastructure for new industries will not necessarily be physical but intellectual - a skilled labour force. Roads, bridges and trucks will not be obsolete, but may be complemented by fibre-optic highways. In the next century, the major assets of

Manufacturing statistics are beginning to show some changing patterns. Growth in the non-food industries is beginning to exceed that of the food processing sector. Between 1992 and 1996 manufacturing values in the non-food industries increased by 35.9%, from \$77.8 million to \$105.7 million. For the same years, manufacturing values in the food processing sector increased by 9.7%, from \$140.4 million to \$154 million.<sup>9</sup>

Total manufacturing shipments from the Province show a similar pattern. In 1993, food industry shipments totalled \$368 million, or 76.3% of total shipments. In 1998, food industry shipments still dominated but represented only 67.7% of the total.<sup>10</sup> Since 1989, the largest growth (among products shipping over \$5 million in 1998) occurred in wood (192.3% annual average increase), mineral fuels (52.1%), and machinery and engines (49.6%).<sup>11</sup>

**GROWTH IN MANUFACTURING SHIPMENTS  
PEI and CANADA: 1993-1998**  
(by selected product groups)



companies will be the knowledge and skills of their workers, rather than bricks and mortar.

Already, changing circumstances and emerging new businesses are producing some new trends. Since the implementation of the Free Trade Agreement, the Island's international trade has grown faster than that of any other part of Canada. Since 1989, merchandise exports have tripled, and since 1993 have more than doubled.<sup>8</sup> Since 1993, exports to the United States market have almost tripled in value.



Exciting businesses have been established which sell a wide range of products such as micro breweries, diagnostic kits, and hospital beds. The recently developed aerospace industry, built on the strengths of the infrastructure present at the former Canadian Forces Base in Summerside, has resulted in a new industry worth more than \$115 million dollars. These and similar industries have contributed to significant growth in the manufacturing sector.

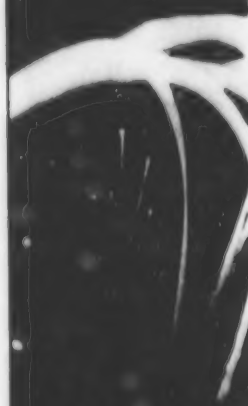
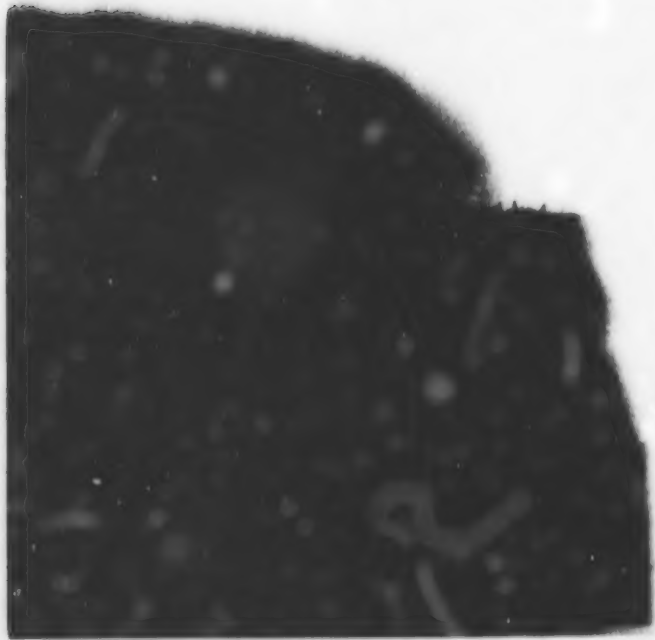
At the same time, employment in primary industries has declined steadily. From a total of 12,967 in 1951, employment in agriculture dropped to 5,745 in 1986.<sup>12</sup> Since 1992, employment in agriculture has averaged just about 4,100 per year. In contrast, employment in manufacturing increased from 3,900 in 1992 to 5,300 in 1998, an increase of 35.9%.<sup>13</sup>


Increased employment is also being generated in activities related to manufacturing. Between 1992 and 1998, employment in trade increased from 8,000 to 9,700. For the same years, those employed in professional, scientific, and technical services increased from 1,300 to 2,000, and those employed in accommodation and food services grew from 3,800 to 4,800.<sup>14</sup>

At the end of the 19<sup>th</sup> century, Prince Edward Island lost its major industrial activity and was forced to depend largely on its primary industries. For the first fifty years of this century the Island, and the Maritimes, lost their prosperity, while the rest of

the country gained in population and wealth. The last fifty years has been a period of growth and expansion, fuelled by the primary industries and a growing tourist trade. At the beginning of another century, new opportunities promise years of new growth and expansion. Future growth will still be fuelled by the primary industries, but also by industries for which the old barriers matter less and less. The result can be economic prosperity and stability based on a more balanced economy that is less sensitive to international prices for one or two commodities.

It is for Islanders to plan wisely.





Islanders have had to meet many challenges just to stay competitive in national and international markets. Lack of a large domestic market, distance from markets, high energy and transportation costs, and lack of natural resources, have combined to challenge the ingenuity and determination of Islanders to make a living for themselves and their families.

## **NEW CONOMIC CHALLENGES**

Some of the disadvantages have been partly overcome. The Confederation Bridge has eliminated some of the disadvantages of location, while competitive electric power rates have partially eliminated the disadvantages of high energy costs. Changing world economic conditions present some very new and interesting challenges. Competing in an increasingly global market, while protecting the environment and enhancing our communities are challenges which Islanders will face as successfully as they have those of the past.

### ***Selling Globally***

Prince Edward Island lives by trade. From its earliest days the Island was a supplier of food products to others. The importance of trade has increased ever since. The other Canadian provinces remain the most important export market, but in the last decade there has been a significant realignment toward the United States and other international markets. Since the implementation of the Free Trade Agreement, the Island's international trade has grown faster than that of any other part of Canada. Trade figures also show a rapid increase in manufacturing exports, much of it in high-tech and knowledge-based industries.

While there are many benefits to selling in global markets, there

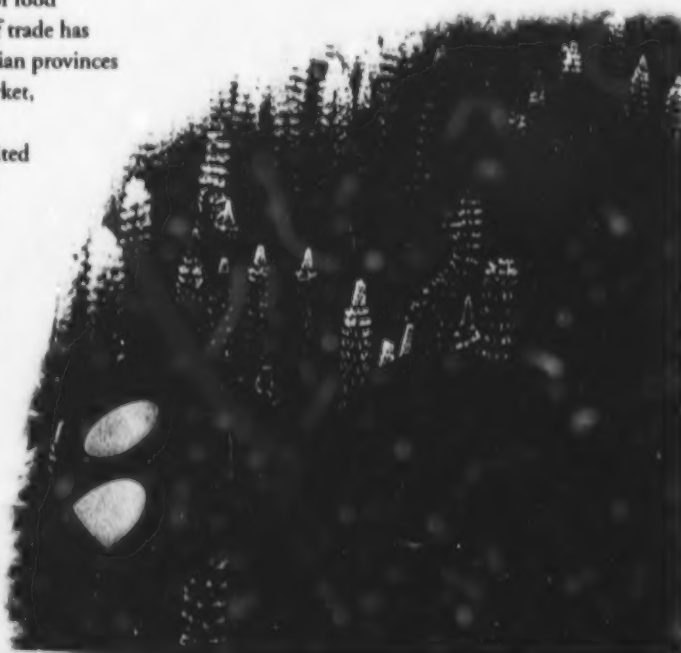
are also risks. A downturn in a market thousands of miles away can have a significant impact on a local company. For instance, the recent crisis in the hog industry has even been linked to a downturn in the economy of Asia.

In addition, with globalization, there are more competitors, even in the Island market. In the past, Island companies had fewer competitors.

With the rapid expansion of the Internet and the global economy, more businesses can sell to Islanders. For instance, Islanders can order books on the Internet and expect delivery within a week; this is new competition for Island retailers. Entrepreneurs must retain or expand market share in competition

with firms that now have improved access to PEI markets.

Tourism has clearly established itself as one of the major primary industries of the Province. The numbers of visitors and dollars spent continue to increase. This growth has been encouraged by private and public investment in accommodations, food services, and major attractions. The Province's natural beauty and its pace of life continue to be the main drawing cards, but population changes and demands of the travelling public are also bringing about change.





Promoting what we are can complement efforts to sell our goods and services globally. A quiet pastoral landscape with beautiful beaches, possessing historical, cultural, environmental and recreational attractions, can reinforce the image of a society protective of its resources and proud of what it does. Tourist promotion will sell the Island as a nice place to see and enjoy as well as a good place to do business. At the same time, selling quality Island products and services will complement the marketing of the Province as a place to visit or to live.

These new challenges will require the skill and determination shown in the past. To be competitive, Islanders must efficiently deliver quality goods and services at competitive prices. Policies must be designed to make this possible.

## **Developing Modern Infrastructure**

The traditional infrastructure of plants, equipment and of transportation systems are essential to the success of the primary industries in the marketplace. For a long time, a physical connection between the Island and the rest of Canada was a missing link in the inter-provincial system. The completion of the Confederation Bridge allows for more efficient movement of most Island exports, and can reduce the cost of imports to consumers and to business. As well, Northumberland Ferries Ltd. remains a vital link in the system and must be maintained. For the same reasons, a commercial airport and viable ports remain necessary parts of a

competitive system, and government policy must be designed to maintain and improve them.


The economies of the future will also require digital infrastructure. Modern communication technology has become an essential tool to successful marketing. If it is in place there will be opportunities for all industries. Already, some Island businesses are using the Internet to sell their goods and services and to add customers. This practice will grow and expand where it is applicable, and those who do not adjust may be left behind. It will be an essential marketing tool.

The Province has established, whenever possible, strategic partnerships with other governments to further the interests of Islanders. The recent establishment of the Knowledge Economy Partnership (KEP) is clear evidence of the cooperation between the Provincial and Federal Governments. KEP has forged a unique partnership that has been the subject of national attention. Such cooperation has provided opportunities to capitalize on the knowledge-based economy.

Already, Prince Edward Island has more than fifty Community Access Sites that provide Islanders with access to the Internet. In addition, video conferencing units have been established throughout the Province. Wellington houses a knowledge-based economy centre that enables Islanders to use video conferencing to take courses from the College de l'Acadie. The site also contains community access computers that provide the opportunity for Islanders to use the Internet along with scanning pictures, developing web pages and editing graphics. The Wellington site and others throughout PEI are proof that the knowledge-based economy does not require an urban location. The information technology industry has been growing steadily. The Government has partnered with a number of these firms to foster the development of this industry, including the establishment of call centres.

There are and will be many economic opportunities; however, the appropriate infrastructure, whether it be physical, administrative, financial or the latest in digital systems, must be in place to enable Island businesses to capitalize on them and be competitive.





## **Educating, Training, and Attracting Workers**

The skills required to carry out the jobs in a modern economy have changed. In the past, the number of jobs for those with less than post-secondary education accounted for a significant share of employment. However, the proportion of low skill jobs in the economy has declined. Forecasts indicate that three quarters of the new and replacement jobs to the year 2001 will require at least some post-secondary education or training, with the highest proportion requiring non-university post-secondary training.

The Atlantic Provinces Economic Council estimates that between 1991 and 1996, a total of 6,700 jobs have been created in PEI for workers with post-secondary education. The Information Technologies Association of PEI study found that there is an expected rapid growth in the information technology industry, with approximately 800 new full-time equivalent jobs expected on PEI by the end of this year. The study also found that there is difficulty recruiting higher skilled information technology staff. As the development of the knowledge-based economy proceeds, more skilled workers will be required. Training, educating and attracting skilled workers to fill the new jobs will be essential keys to being competitive. Technology itself is only a tool. It is what people do with it that makes it useful.

In a technologically centred world, life-long learning will be a fact of life for many workers. To encourage workers to keep pace with their rapidly changing conditions, great emphasis must be placed on retraining of an experienced, dedicated, and skilled work force. Too often, economic change leaves part of the population behind. This must not and will not be allowed to happen.

We are committed to provide, through training and retraining, the skills necessary for useful employment in a rapidly changing workplace.

## **Caring for a Healthy Population**

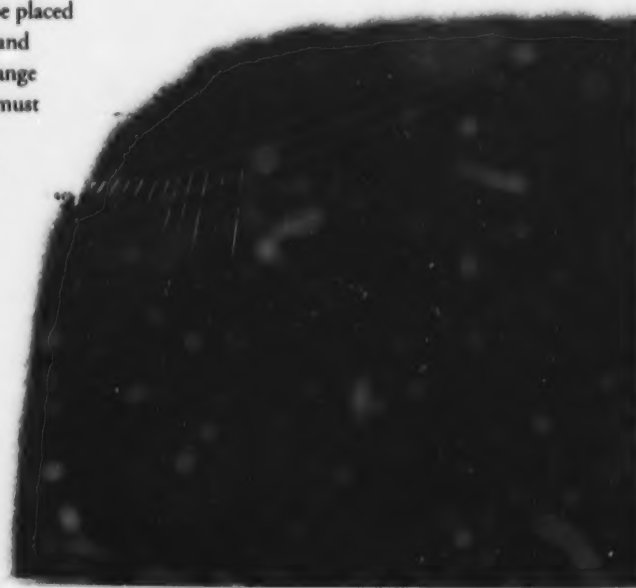
Prince Edward Islanders are particularly well served by their health care system. Over many years hospitals

have been maintained wherever possible in local communities, so that the entire population is within easy reach of acute care and emergency health facilities. This is desirable as long as it is consistent with public health. Our most recent demonstration of support for the health care system, and its place in the economy, is demonstrated by the construction of the new addiction centre in Mt. Herbert and the \$40 million hospital in East Prince. We will continue to support the health of our citizens through expanded facilities, equipment, and services.

## **Securing Competitive Energy**

Energy cost and reliability have been major issues in the Province's economic development. In many cases, energy costs were simply prohibitive, and companies went elsewhere. While electricity costs have been reduced, they remain higher than those of the competition, and are a deterrent to economic development. Accessibility to natural gas will change significantly the economics of energy costs, and is an issue the Province is assessing carefully.

Prince Edward Island is highly dependent on off-Island sources of energy, especially foreign oil. During 1998 approximately 80% of the Province's energy requirements were met by petroleum products, i.e. gasoline and diesel fuel (40%) and heating oil (34%). Electricity made up a further 14% of the energy demand in 1998. Virtually all of



this electricity was imported via an underwater cable connection with the New Brunswick grid. Wood biomass, the Province's only indigenous source of energy, satisfied the remaining 6% of the Province's energy demand during this year.

The development of the Sable Island offshore project and the Maritimes and Northeast Pipeline Project will provide the Maritimes with access to the vast natural gas resources of the Atlantic offshore. For Prince Edward Island, the potential benefits are enormous. A secure and stable supply of less expensive energy will overcome one of the main barriers to economic growth. It is a cleaner burning fuel, reduces greenhouse gas emissions, and will contribute to the image our Province is seeking to promote and sell worldwide. The construction of a lateral line to the Island will provide significant job opportunities, and its maintenance and service afterwards will create its own employment and service industries. In addition, the existence of natural gas resources within the region, combined with the establishment of natural gas infrastructure on PEI and the development of natural gas markets, should provide incentives for further oil and gas exploration onshore and offshore Prince Edward Island.

Fair energy prices are essential to competitiveness and finding them will be a primary objective of public policy.

## **Supporting Research and Development**

Consumers demand quality products quickly. New products are being developed every day in response to consumer and business demands. Business success depends on understanding what the consumer wants, delivering it quickly and at competitive prices. Gone are the days when a business can produce the same old product the same old way. Businesses must innovate or lose market share.

The Province's traditional strength has been in the primary industries. These industries are not strangers to successful research and development. The potato industry has developed new varieties and has pioneered in techniques for the production and handling of disease-free seed stock. In recent decades, the Province's farmers have experimented with a variety of specialty crops and animals, experiencing various degrees of success. These kinds of initiatives can recover land hitherto unproductive, add to the variety and stability of Island agriculture, and take pressure off the soil base.

Likewise, research and experimentation are not unknown to the fishery. Island mussel growing, for example, has become a unique Island industry with the potential for continued growth. Experiments in aquaculture are continuing. The buying and selling mechanisms are being restructured to market fish and fish products more effectively. All these initiatives need to be encouraged. New products and new methods can restore some stability to a fishery which is experiencing changes and policy confusion.

Maximum use of the new technology will be essential. This is already happening. Only recently, all Federal and Provincial agencies dealing with food have joined with the Atlantic Veterinary College and the Faculty of Science at the University of Prince Edward Island to form the Belvedere Group.

Located primarily around the UPEI campus, one of its guiding principles is that their "knowledge can have value beyond each institution's core mandate." Already, this group provides information and advice to customers far beyond Prince Edward Island. Its capacity and expertise to foster research and development in many areas ought to be encouraged and duplicated wherever possible.



## **Preserving the Environment**

The very livelihood of Prince Edward Island depends on a healthy environment. The economy depends on the fertility of our soil and the purity of our waters. Our attractiveness and way of life depend on clean air and natural beauty. Each component of the environment is often dependent on the others, as damage to one can damage the others. Preserving the environment and the entire ecosystem is everyone's responsibility.

Growing public concern about pesticide usage, air and water quality, and genetically altered foods is a serious matter in an agricultural economy. Consumer resistance to certain farm practices underscores the need to practice sound soil management techniques, and to experiment with alternative farming practices. Current forestry practices are under intense scrutiny. Indeed, research and development funds will be necessary to find alternatives to present methods of preventing disease and increasing yields.

Protecting the environment while selling globally and remaining competitive with quality food products is an ever increasing challenge for primary producers. A start has been made by implementing many of the recommendations contained in *Cultivating Island Solutions*, the report of the Roundtable on Resource Land Use and Stewardship, but much remains to be done. Real change can only come about through the cooperation of the agricultural community, the public, and government.

## **Enhancing Communities**

Strong, self-reliant, and healthy communities are the foundation of our Island society. Small, vibrant, and prosperous communities contribute perhaps more than anything else to that intangible called the "Island way of life."

The urbanization which characterized the last fifty years of development brought the traditional community under attack. The centralization of government, of institutions, and other services shifted the focus of many things away from the "local" community to

a larger community. The changes did not always go smoothly; indeed, threats to community institutions and to community control do not go smoothly now. The present challenge for society and its leaders is to give a new kind of expression to the sense of community. It is a challenge that Islanders welcome.

Clearly, the traditional community life of the Province has changed significantly. The physical community that existed for most of the 20<sup>th</sup> century cannot be brought back in the 21<sup>st</sup> century. However much of its quality and spirit can be maintained. Indeed, the very benefits claimed for the age of technology and information-based industries can be used to breathe new life into a society of small communities. The new technologies and the new industries can make a small society of small communities more competitive than ever before. Islanders, working together, can make it happen.

## **Summary**

The new century offers significant opportunities for all jurisdictions. Prince Edward Island is certainly not the only province or state that will be offered new opportunities to meet new challenges. Every jurisdiction will choose its own options and make its own decisions. If Islanders can successfully meet the challenges to being competitive, the economy will prosper.

While it is useful to identify what it takes to compete, the real test is in competing. The strategy outlined here addresses the keys to competitiveness based on a vision of the kind of society we wish to have.





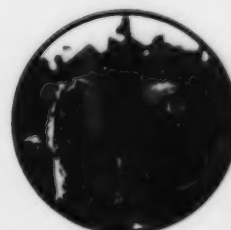
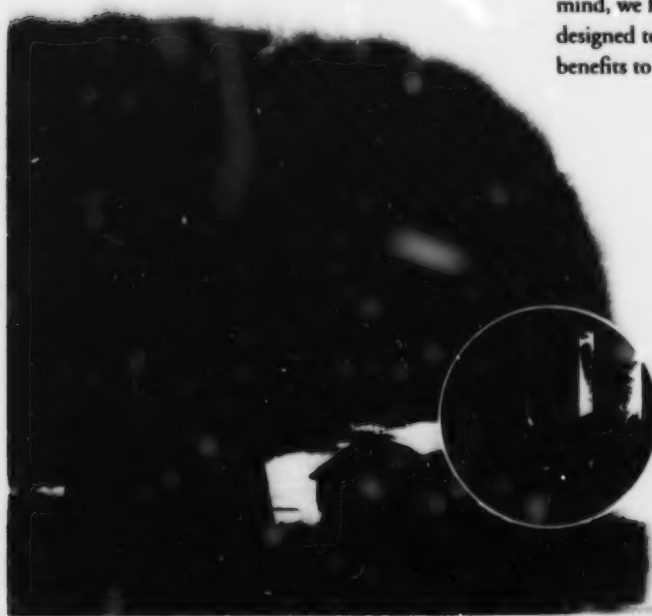
We are at the beginning of a new century and a new millennium. Such times in history invite reflection on the past. We must also use this time to examine where we want to go in the future. To increase our prosperity and to protect our quality of life, we have laid out a vision to chart the course for future economic development in the Province. Our vision is:

- that the economy expand and diversify but continue to rely on our primary industries;
- that our primary industries use knowledge gained from technology, research and development to demonstrate stewardship through promoting diversified farming, responsible woodlot management, sustainable fish and aquaculture harvest, and increased eco-tourism potential;
- that Island food products, produced in a sustainable manner, be world renowned for their quality and be marketed around the globe with the most advanced information technology tools;

- that new industries establish, creating new products and providing new services to new markets around the world;
- that Island firms, using experience from the traditional industries, compete successfully in the knowledge-based economy;
- that Island firms be energy-competitive with other provinces;
- that the educational system provide a skilled work force for the new economy;
- that the health system care for a healthy, productive population;
- that rural communities be more vibrant and be the foundation of the economy;
- that Islanders be more self-reliant; and
- that Islanders enjoy an excellent quality of life.

Reaching our vision usually means choosing ways and means that are available and appropriate at any given time. The options may change rapidly and often. Trial and error is sometimes a necessity. This will require strategies that are flexible. With that in mind, we have developed a series of strategies designed to achieve this vision and maximize the benefits to Islanders.

**VISI**



No strategy will work unless the right climate is created for its success. Unless the circumstances are right and there is public support, the best of plans may come to naught. Governments have a particularly important role to play in creating an appropriate economic climate. Taxes, regulatory requirements and a variety of programs are directly controlled by government. They are important

## LEMENTING HE STRATEGY

components of an economic climate, and just as necessary as marketing strategies, easy access to markets, and the necessary infrastructure. At the same time, in its policies for economic development, government must be careful to strike, not only the

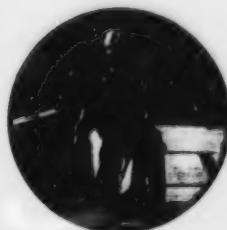
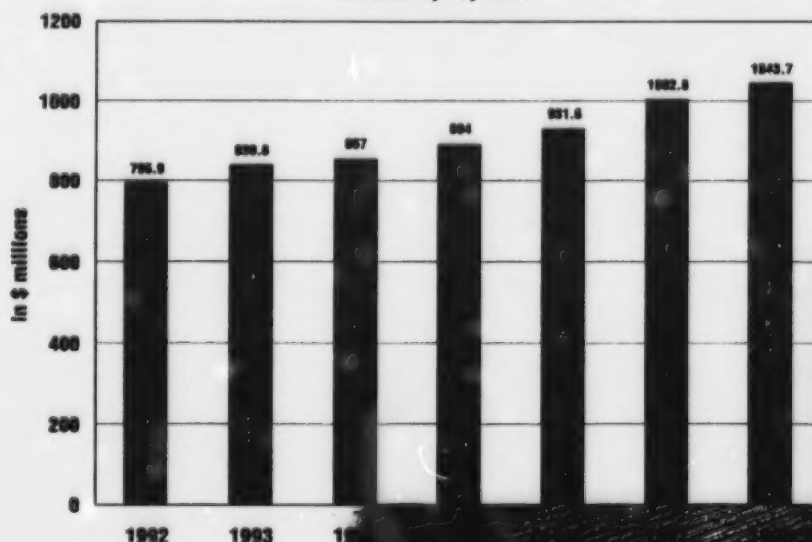
right economic balance, but also the right balance with the legitimate competing social interests and needs of society.

We are working closely with the Federal Government through the Labour Market Development Agreement. The Province co-manages the federally funded Agreement. It is the first time the Province and the Federal Government have worked together to coordinate labour market efforts to benefit unemployed Islanders.

The Province has committed to working closely with the other Atlantic Premiers to resolve regional issues and to ensure the interests of the region are considered and kept on the national agenda. Already, because of the cooperation of the other three provinces, some difficult issues have been resolved and others avoided.

We have taken some initiatives in matters directly under our control. The *Planning Act* has been simplified to reduce the red tape faced by businesses. We have experimented successfully with a sales tax adjustment to promote Island retail trade.

**RETAIL SALES P.E.I. 1992-1998**  
Seasonally Adjusted





Retail sales have risen from \$795.9 million in 1992 to \$1,043.7 million in 1998<sup>15</sup>. Figures for 1999 (based on the first eleven months) show Prince Edward Island experiencing the largest growth in retail sales in the country<sup>16</sup>.

As well, by the creation of PEI Business Development Inc. we have strengthened the Province's industrial prospecting capabilities and support for existing businesses. Marketing units have been added in the Department of Agriculture and Forestry to better meet the needs of the industry. We have led various trade missions. We will continue these efforts, and will revise cumbersome statutes and repeal unnecessary ones. We will further explore the area of competitive tax rates and incentives to encourage business.

Perhaps more important than any of these initiatives has been the serious effort to bring our finances under control. The Province has corrected the structural deficit problems of the early 1990s and recorded in 1998-1999 a planned surplus. While doing this, we implemented the first reduction ever

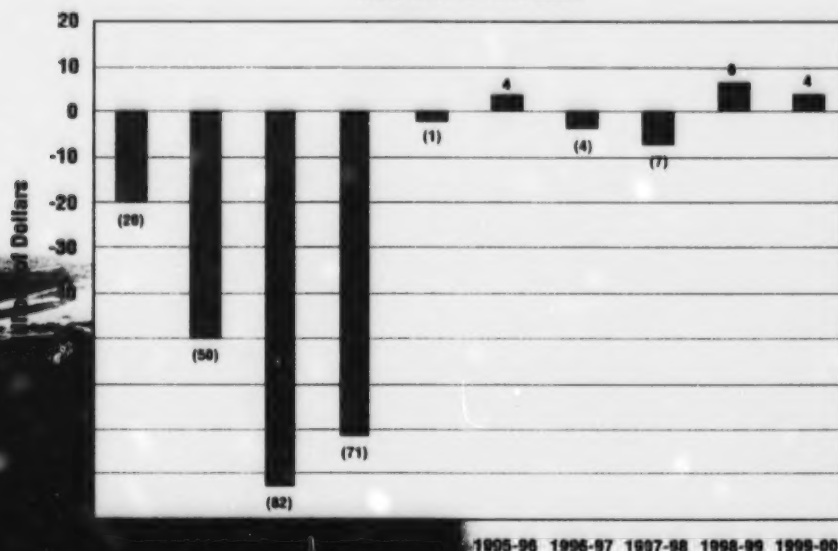
in provincial income taxes. Developing and maintaining a balanced budget sends a clear message of fiscal responsibility.

Based on an improving climate for business investment, the Prince Edward Island economy has enjoyed a number of successes in recent years. The food industry and tourism have experienced rapid growth, the pharmaceutical industry continues its successes, and information technology, aerospace, and other value-added manufacturing activities have made great advances. The PEI Government is committed to furthering these successes by working with Island businesses to make wise investment choices for the Province.

## Promotion

Selling goods in the global marketplace is a common occurrence for many Island firms whose products are on store shelves in many countries. During the last decade, Island international exports have grown more rapidly than those of any other part of Canada. The

**BUDGETARY SURPLUS P.E.I.**  
1990-1991 to 1999-2000



exports in 1999 are expected to triple their 1989 level. Some products, such as Island potatoes and lobster, have been in the international market for a long time and they continue to expand their markets. More recently, Island computer expertise is being exported worldwide.

To strengthen the Province's trading reputation and assist exporters, a food strategy will create a "PEI brand" based on the quality of the environment, sustainable production methods and the excellence of our products and services. The Island will be promoted worldwide as a producer of premium-quality food produced in a clean environment from sustainable managed resources. If successful, the brand will identify Prince Edward Island in the national and international marketplace and improve its competitive position.

The integrity of the brand will be protected by initiatives designed to ensure rigorous "on farm" and "in plant" food safety and quality programs. To qualify for the brand, production methods will need to incorporate many of the environmental initiatives already underway, including environmental farm planning and monitoring of soil quality.

A recent study of the tourism industry describes it as "a maturing industry with significant experience and a quality product." There can be no doubt that the dramatic growth of the past two years is challenging the industry and offers important opportunities to the industry and to the Province. To take advantage of the opportunities, the Province must offer a diversified tourist product which will provide high quality professional services and accommodations, as well as a wide range of appropriate attractions.

Even as the industry matures, it is changing. As the baby boomers reach their fifties, there has been a marked change in the type of visitor to Prince Edward Island. In recent years, over 66% of the tourists are couples without children. They have more money to spend and demand higher end accommodations, good food, quality crafts, and excellent service. Instead of just spending time on the beach, boomers enjoy sight-seeing, cultural events, and golfing. As well eco-tourism activities such as hiking, biking, bird-watching, fishing and kayaking are becoming increasingly popular. In order to reach its objectives, the industry will need to target these "new" visitors.

We have recently embarked on an initiative to encourage Islanders

to return home to their roots. Those who have left the Province often feel the lure of home. There is a need to market the Island to those expatriates as well as to those considering the Province as a potential new home. Such promotion will complement the goals of the Province's Population Strategy.

In order to promote the Island and its goods Government will:

- create an industry-based food council with representation from agriculture, the fishery, tourism, and the processing, environmental, and retail interests;
- cooperate with the food industry to develop standards for the PEI brand;
- initiate a strategy to build global recognition of the PEI brand;
- encourage producers interested in agricultural diversification, environmentally sensitive farming practices, and organic production;
- implement a series of on-Island strategies to improve the linkages between the food industry and tourism;
- assist exporters wherever possible by the introduction of necessary training and by the use of trade missions;
- cooperate with the agriculture, tourism and forestry industries to provide visitors with the best possible scenic landscape;
- continue to assist in the development of a cultural tourism strategy to promote the

performing and visual arts, historical events, craft industry and recreational activities;

- work in partnership with the private sector to identify additional ways and means of promoting PEI as a shopping destination;
- continue its partnership with the tourism industry to promote the Province as a golfing destination, to encourage the development of the shoulder season, to accommodate the visitors who are travelling without children, to enhance eco-tourism opportunities, and to expand the tourist industry to eastern and western parts of the province; and
- continue to develop means for Islanders to live and work here, attract Islanders living out of the Province to return home, and promote immigration.

## ***From Highways to Broadbands***

For an economy based on primary industries, the traditional infrastructure will continue to be as important as it has been in the past. Highways, trucks, and ships are needed to move most manufactured products, as well as the products of land and sea. Such an infrastructure system remains necessary to be competitive in domestic and international markets.

In the new emerging economies, access to electronic equipment and to information highways is as important as was access to the old infrastructure. The latest technology is often vital for personal as well as business reasons. Therefore, we must

continue to find ways to bring the very latest technology to as many businesses and individuals as possible.

In order to develop the needed infrastructure, Government will:

- work with the Federal and Provincial Governments toward the establishment of a national highways policy;
- implement, in partnership with the Federal Government, a provincial traffic management system to provide better services to Island highways;
- extend the perimeter highway around Charlottetown and Cornwall;
- work with the Federal Government to ensure that the transportation links to the mainland meet the needs of the Province;
- work with the Federal Government and the Airport Authority to ensure that the Charlottetown Airport continues to provide the services necessary to the Province;
- work with the Ports Commission to ensure that ports meet the requirements of Island business;
- examine means of increasing cruise ship visitations through improved infrastructure;
- work with the Information Technologies Association of PEI to develop a strategy to support the sustainable growth of the information technology sector;
- continue the establishment of Access PEI sites throughout the Province, and electronic service delivery options that will provide ready access to government programs and services;
- continue its leadership role, in conjunction with the local federal departments, in the co-delivery of Federal and Provincial services at Access PEI sites;
- continue to invest in information technology which will improve health services; and
- continue to explore information technology internship opportunities.



## **A Skilled Workforce**

Given the forecasts about the increasing levels of education needed for future jobs, and the need for training and retraining, it is important to carefully plan training programs. This work has already begun.

We have built up a Province-wide educational infrastructure which produces large economic spinoffs. In addition to the government department, the public schools system consists of three district administrative units with a total of over 3,000 employees. During phase I (1997-2001) of the capital infrastructure program, Government will spend \$43 million on new school construction and major repairs. The public school system provides a variety of training opportunities that serve as a basis for future job training programs.

In post-secondary education, the University of Prince Edward Island employs approximately 700 people, pumps millions of dollars into the economy, and provides many opportunities for economic development. The University provides advanced professional education often required in the new economy. The Department of Mathematics and Computer Science provides training used in the high-tech industries. Because of the Atlantic Veterinary College's direct contribution to the industries of the Province, its establishment may soon be viewed as one of the most important events in recent years for the economy of the Province.

At the technical level, Holland College employs approximately 400 people, and provides a wide variety of skill training that is becoming essential to many of the available new jobs. The opening of the Summerside Aerospace and Industrial Training Centre, as well as the Georgetown Welding and Fabrication Institute, provide important new infrastructure for training Islanders for skilled jobs that are available within the Province.

In order to ensure a skilled workforce, Government will:

- co-ordinate a long-term comprehensive education, training and re-training strategy which will ensure maximum effective use of all training programs and facilities;

- implement a new high school program which will be more relevant and responsive to the necessary transition from secondary education to either post-secondary studies or the world of work;
- emphasize apprenticeship programs to better link education, training and employment;
- collaborate with the other Atlantic Provinces to develop entrepreneurship courses;
- cooperate, whenever possible, with private training institutions;
- utilize the knowledge worker supply strategy to help identify required skills and opportunities;
- implement in 2002 phase II of the Public Schools Capital Infrastructure Program;
- continue to ensure that schools have the technology resources and support needed to provide a foundation for the new skills required by a changing economy; and
- continue to promote the coordination of literacy and adult training programs to improve the literacy skills of Islanders.

## **A Healthy Population**

Health care systems are provided to care for the sick, and in doing so, they contribute to a healthy workforce. Health care systems are themselves generators of employment. With a workforce of approximately 4,000 highly skilled workers, the health care system is an employment engine in many parts of the Province, especially in the smaller rural



communities. With workers in hospitals, long-term care facilities, seniors housing, home care, public health, community services, financial income and addiction services, any enhancement to this human resource system results in more long-term meaningful employment. The result is more economic development and growth in healthy communities.

In order to ensure a healthy population, Government will:

- continue to invest in new health education programs encouraging Islanders to practice preventive medicine;
- invest in better information and management systems to manage health care programs more efficiently;
- encourage the development of a healthy environment in the workplace in both the public and private sectors;
- promote the Healthy Childhood Development Program to produce a well adjusted, productive population;
- work with Health Canada, the Canadian Institute for Health, and the University of Prince Edward Island to expand the Province's capacity and activity in health research, especially at the University;
- continue to invest in the job creation and employment enhancement programs for social assistance recipients who are seeking to obtain or retain employment; and
- continue to cooperate with the Government of Canada in providing training for Islanders with disabilities.

## An Energy Solution

For an economy based on the primary industries, finding a solution to the Province's energy problems is an essential part of being competitive. While the industries of the new economy may be less sensitive to energy costs, those based on the primary industries remain energy intensive. Alternative sources of energy must be found.

Not only is Prince Edward Island highly dependent on foreign oil supplies, the prices paid by Islanders are subject to crude oil pricing volatility in the world market. This volatility is demonstrated by the fact that between 1979 and 1983, and again in late 1990, the price of crude oil was in excess of \$30 US per barrel. At the other extreme it has been priced at \$15 US a barrel, or less, during four periods in the last fourteen years.

Like crude oil, natural gas is traded on the world market. However, natural gas pricing is not as volatile and unstable as crude oil pricing. Access to natural gas, and in particular access to Sable gas through a natural gas pipeline lateral to the Province, is a wonderful opportunity for Prince Edward Island.

Access to natural gas is essential if the energy problem is not to worsen, but it is not the entire solution. Electricity prices must be made competitive with prices in neighbouring provinces by dismantling the artificial pricing system. Electricity is the only commodity which a province is required to own while it passes through its territory. A fair system for the pricing of electricity must be established.

In order to explore energy choices, Government will:

- establish policies, regulations and the necessary regulatory regime to control natural gas distribution within the Province;
- negotiate with the Federal Government and the industry, and other major natural gas users, an arrangement to bring natural gas to the Island;
- maximize employment opportunities for Islanders during the construction and operation of both the pipeline lateral and the gas distribution system;





- negotiate with Canada, New Brunswick and Quebec the components of an oil and natural gas exploration and development framework which would apply to the offshore regions of PEI, New Brunswick and Quebec;
- establish oil and natural gas exploration and development policies and procedures which are consistent with Federal Government policies and procedures and the interests of the Province;
- promote the hydro-carbon potential and the merits of oil and natural gas exploration onshore and offshore PEI;
- work to overcome existing barriers to electricity trade;
- work with the Federal Government to negotiate a new five year funding and strategic planning agreement for the Atlantic Wind Test Site designed to maximize the benefits of wind energy research and development on PEI; and
- promote business ventures on PEI to commercialize proven technology developed at the Atlantic Wind Test Site.

## ***Innovation and Growth***

In a consumer sensitive society, applied research is a fundamental requirement for a successful business. Resources need to be devoted to research and product development. The search for new and modified products and techniques must drive the basic industries. Indeed, it may be in the Province's primary industry sector, as well as in the service industries, that research and development funds need most to be applied.

While the primary industries offer great potential for innovation and experimentation, no sector should be excluded from research and development support. Tourism, for example, ought to continue to expand in ways that do not threaten the Province's major characteristics. Innovation in the manufacturing sector ought to be directed not only to traditional strengths in the sector, but also to those new goods and services which have seen vigorous growth in very recent years.

Because it is a small society, the Province is sometimes viewed as a laboratory for the delivery of various government services and programs. Some pilot projects have been undertaken in health, and already, the Province has one of the most comprehensive land-use information bases in Canada. It is being expanded this year and will add to the Province's leadership role in geographic information systems.

Taking advantage of the administrative advantages of a small society has its dangers. But with wise policy direction, a small society can experiment with the delivery of old and new services in a way that larger jurisdictions cannot. Appropriate innovation and experimentation in the infrastructure of the service industries ought to be encouraged after careful selections have been made.

Overall, the primary industries offer excellent potential for successful innovation and experimentation. Encouragement of research and development would be an excellent way to build on the Province's strengths, to add value to natural products, and to bring much needed stability to the primary sector. Public policy will be directed toward this goal.

In order to encourage innovation and experimentation, Government will:

- work with the private sector to encourage innovation as well as the adoption of new technology and new techniques;
- explore strategic innovation and experimentation opportunities such as organic food, biotechnology products, aquaculture, seniors' products,



- assist primary producers, through the implementation of the food strategy, to capitalize on research and development opportunities;
- aggressively position PEI as a test bed for appropriate research and development and potential pilot projects;
- cooperate with the Belvedere Group to foster research and development in the food industry; and
- work with exporters to assist them wherever possible in preparing for the export market.

## Stewardship

As stewards of our land, water and air, it is incumbent on Islanders to protect them for future generations. Events in the past have shown the interdependence and fragility of the Island environment. Agricultural sprays protect crops and increase yields; however, later soil runoffs deplete the soil, poison waterways and kill fish. This simple but recurring cycle is central to agricultural activity, but if not properly managed it can lead to the degradation of the soil, the pollution of water, and the destruction of ecosystems. Environmentally sound policies and practices are fundamental prerequisites to preserving the environment.

Toward that end, government has embarked on initiatives that are in the best long-term rather than short-term interests of the Province. The Royal Commission on the Land(1990), and more recently the Round Table(1997) clearly demarcated the pivotal importance of the land, and Government has moved on many of the major recommendations. The introduction of buffer zones has been one of the key initiatives. Efforts have also been undertaken to encourage sound forestry practices with a view to increasing the economic importance and sustainability of our forests.

In order to enhance the environment, Government will:

- continue to implement the recommendations of the Round Table on Resource Land Use and Stewardship;
- work closely with Islanders to increase soil conservation, best management practices, agricultural diversity and organic production;
- work toward the development of forestry management practices that will combine the objective of maximizing the forest economic potential and, at the same time, protecting and sustaining the forest resources;
- develop management plans for publicly owned forest lands which will expand the economic and recreation activities carried out while providing a model of stewardship and sustainability;
- work with the private sector to promote the maintenance and development of healthy working landscapes;
- initiate new methods of disposing of waste water in order to reduce effluent emissions;
- partner with Islanders to reduce pesticide use; and
- establish Waste Watch capability in all of Prince Edward Island.



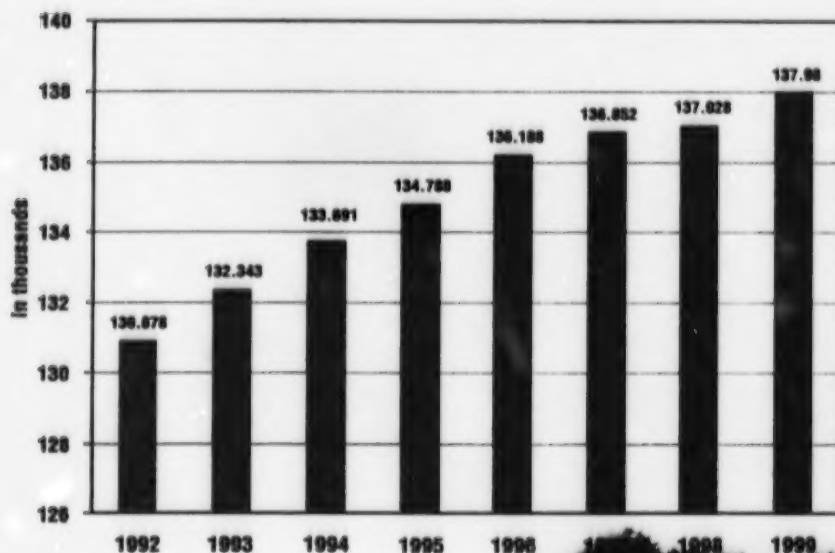
## **An Island of Communities**

Rural Prince Edward Island depends on healthy communities, but they have not always prospered in recent years. While the total population of the Province has reached an all-time high of almost 138,000 people, there has been significant migration from rural to urban areas. Thus, there is need, not only to retain the existing population in their communities, but to have communities attract their share of new residents. For this purpose, Government is committed to working in partnership with communities to create economic development opportunities.

promote community development opportunities. Some Community Schools and Community Access Sites use school infrastructure, and efforts are underway to determine how communities can expand their use of school facilities. In addition, Government has invested in the creation of the Health Care Stabilization Fund to be used to create sixty new nursing positions in health care facilities throughout the Province. The 911 system will be implemented throughout the Province by July 2000.

To further support community efforts, Government has established the Community Development Bureau and hired six community development officers who are strategically located throughout the Province. These positions will be responsible for

**POPULATION P.E.I. 1992-1999**



Over the years, investments have been made in infrastructure for the benefit of communities. New hospitals and schools have been constructed across the Province based on the requirements of the community. They are important components of the community and must be maintained, wherever possible, within the community. Over many years, community development organizations, under various names, have been created to identify and


working with communities and community development organizations to create sustainable long-term jobs through community funded economic projects.

In an effort to understand and to direct the growth in the population for the longer term, the Government has commissioned the Institute of Island Studies to develop a Population Strategy. The strategy will examine the Province's current and projected population mix, and assess its implications for the Province's economic health, the future allocation of public resources, the land and resource base, the infrastructure, and the labour force. The strategy will define in detail if and how the Province should seek to influence population growth as an economic development tool. The Population Strategy will identify the level of growth which could be encouraged by Government policy with special consideration to factors such as: growth in both rural and urban areas; annual rates of desired growth; types of economic activity preferred; and the impact on institutions and services. The strategy will be based on research and extensive consultation with Islanders, and will aim to promote strong and balanced growth for the Island's population into the future.

In order to strengthen communities, Government will:

- work with communities on development projects through the Community Development Bureau, assisted by the community development officers;

- establish Access PEI sites in additional communities to ensure that all Islanders have ready access to Government programs and services;
- continue to invest in projects which are endorsed by the community and will create sustainable jobs;
- continue to foster entrepreneurship within communities;
- continue to work with the Federal Government to ensure that federal programs such as Employment Insurance meet the needs of Islanders;
- through its Population Strategy, develop an implementation plan regarding how best to keep youth in the Province, encourage Islanders to return home from away, and to foster immigration; and
- establish and maintain a human resource registry to provide an inventory of Islanders and their skills.

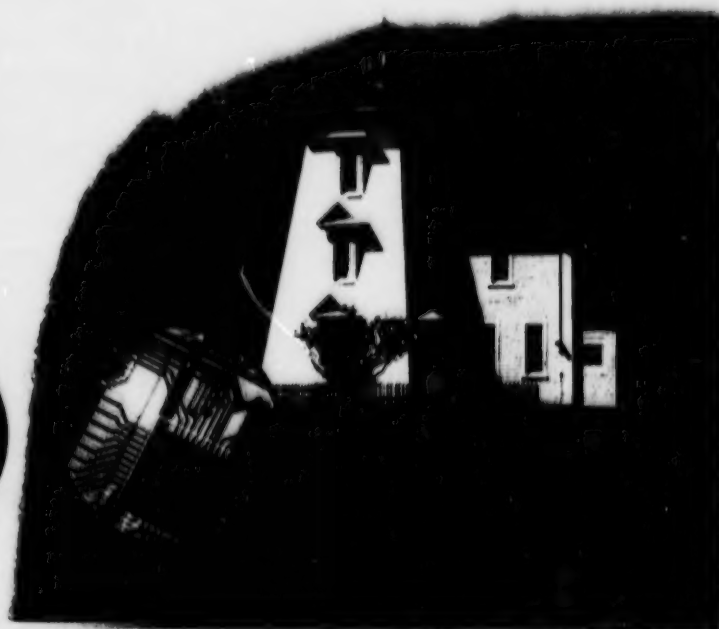


The last fifty years have seen significant growth and change on Prince Edward Island. The growth has been driven largely by the primary industries which have reached new levels of volume and value. Food processing has expanded rapidly. Tourism has become a major contributor to the economy. The population has reached an all time high. Agriculture, fisheries, and tourism will likely continue to be staples of the Island's economy.

## **CONCLUSION**

Developments of very recent years also suggest that the economy is in the early stages of significant change. The emergence of the new economy has already made a significant impact on the Island economy. Some of the old barriers to economic growth and diversification have been removed. Many of the new jobs are in the high-tech industries. Growth in export and manufacturing values are growing more rapidly in the new industries than in the old.

It is our vision that the proposals set out here will serve as a basis for discussion about the best way for Islanders to shape a new and better future from the opportunities that are available and to guide public policy in the years immediately ahead.



## Footnotes

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- 12 Statistics Canada, *Industry Trends, 1951-1986*, Catalogue 93-152, Canada, 1986, 1988
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